

# **WINTHROP UNIVERSITY**

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**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2009**

# WINTHROP UNIVERSITY

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## FINANCIAL INFORMATION

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Independent Auditors' Report

To the Honorable Mark Sanford  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited the accompanying financial statements of Winthrop University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University, as of June 30, 2009, and the results of its operations and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and other financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the financial statements of Winthrop University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2009 on our consideration of Winthrop University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in blue ink, appearing to read "Cline Brantley & Co. PA". The signature is fluid and cursive, with a large initial "C" and "B".

September 18, 2009



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2009. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35.

**Introduction**

Winthrop University provides personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited – part of the University's commitment to be among the very best institutions of its kind in the nation.

Winthrop University of the 21<sup>st</sup> century is achieving national recognition as a competitive and distinctive, co-educational, public, residential comprehensive teaching institution.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body of 6,500 students and will remain a medium-sized comprehensive teaching university for the foreseeable future. The University recruits South Carolina's best students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on the college campus.

Winthrop's historic campus, located in Rock Hill, South Carolina, provides a contemporary and supportive environment that promotes student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with current methods and knowledge. As a result, Winthrop graduates are eminently well prepared to assume successful careers in business, industry, government, education, the arts, and human services, as well as to enter the most competitive graduate or professional schools.

Winthrop has obtained 100 percent national accreditation in all academic areas for which such accreditation is available. Winthrop University was named to *U.S. News & World Report's* Top Ten Regional Public Universities in the magazine's "America's Best Colleges" 2010 edition. It is the 18th time this publication has chosen Winthrop for inclusion in its listings.

*The Princeton Review* named Winthrop University as one of the nation's **best value undergraduate institutions** in its current print edition of "America's Best Value Colleges." It is the third national publication to count Winthrop as a national "best value" university, joining *Consumer's Digest*, which includes Winthrop among America's top 50 public "best value" institutions, and *Barron's Best Buys*, which cites Winthrop as a university "where the dollar goes further."

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and nets assets (assets minus liabilities). Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the University. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of the University's unrestricted net assets have been designated for various academic initiatives or future capital commitments.

## CONDENSED STATEMENT OF NET ASSETS

|   | 2009                 | 2008                 | Increase/<br>(Decrease) |
|---|----------------------|----------------------|-------------------------|
| <b>ASSETS</b>                                   |                      |                      |                         |
| Current Assets                                  | \$ 28,529,398        | \$ 28,792,519        | \$ (263,121)            |
| Capital Assets, Net of Accumulated Depreciation | 128,261,426          | 113,838,963          | 14,422,463              |
| Other Noncurrent Assets                         | 22,590,044           | 22,369,927           | 220,117                 |
| Total Assets                                    | <u>179,380,868</u>   | <u>165,001,409</u>   | <u>14,379,459</u>       |
| <b>LIABILITIES</b>                              |                      |                      |                         |
| Current Liabilities                             | 17,078,649           | 17,855,396           | (776,747)               |
| Noncurrent Liabilities                          | 78,465,127           | 63,373,350           | 15,091,777              |
| Total Liabilities                               | <u>95,543,776</u>    | <u>81,228,746</u>    | <u>14,315,030</u>       |
| <b>NET ASSETS</b>                               |                      |                      |                         |
| Invested in Capital Assets, Net of Related Debt | 60,083,348           | 60,633,933           | (550,585)               |
| Restricted for Nonexpendable                    | 492,352              | 488,111              | 4,241                   |
| Restricted for Expendable                       | 3,284,451            | 2,242,984            | 1,041,467               |
| Unrestricted                                    | 19,976,941           | 20,407,635           | (430,694)               |
| Total Net Assets                                | <u>\$ 83,837,092</u> | <u>\$ 83,772,663</u> | <u>\$ 64,429</u>        |

- Capital Assets increased by \$14,422,463. This increase resulted primarily from the increase in Construction in Progress on the DiGiorgio Campus Center and the Carroll Hall Capital Projects (just under \$18M) offset by the annual depreciation expenses (nearly \$5M). At the end of fiscal year 2009, Carroll Hall was near completion and subsequently opened for Fall Semester 2009. The DiGiorgio Campus Center will continue under construction through most of 2009 with completion scheduled for Summer 2010.
- Noncurrent liabilities increased by nearly \$15.1 million. This increase primarily resulted from the current year's Institutional Bond (13.85M) and Higher Education Revenue Bond (\$6.6M) issues for the construction of the DiGiorgio Campus Center offset by the current year's debt payments of \$4.8M.
- Total Net Assets remained relatively level in fiscal year 2009 with an overall modest increase of \$64,429. Net Assets Restricted for Expendable did increase by just over \$1 million. This increase resulted primarily in the additional debt service requirement associated with the 2009 bond issues.

### Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

#### YEAR ENDED JUNE 30, 2009

|  | 2009                 | 2008                 | Increase/<br>(Decrease) |
|--|----------------------|----------------------|-------------------------|
| Operating Revenue                                      | \$ 81,431,686        | \$ 76,614,952        | \$ 4,816,734            |
| Operating Expenses                                     | 102,758,458          | 103,632,363          | (873,905)               |
| Operating Loss   | (21,326,772)         | (27,017,411)         | 5,690,639               |
| Nonoperating Revenues and Expenses                     | 20,928,607           | 28,007,640           | (7,079,033)             |
| Loss before Other Revenues, Expenses, Gains, or Losses | (398,165)            | 990,229              | (1,388,394)             |
| Other Revenues, Expenses, Gains, or Losses             | 462,594              | 6,627,488            | (6,164,894)             |
| Increase in Net Assets                                 | <u>\$ 64,429</u>     | <u>\$ 7,617,717</u>  | <u>\$ (7,553,288)</u>   |
| Net Assets – Beginning of Year                         | \$ 83,772,663        | \$ 76,154,946        | \$ 7,617,717            |
| Increase in Net Assets                                 | 64,429               | 7,617,717            | (7,553,288)             |
| Net Assets – End of Year                               | <u>\$ 83,837,092</u> | <u>\$ 83,772,663</u> | <u>\$ 64,429</u>        |



The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Total net assets remained relatively level for 2009 with a modest increase of \$64,429. 2009 was a year in which the University sustained significant reductions in state funding. The administration responded to the first major reductions announced in October 2008 totaling \$3.4M with a campus-wide cost reduction plan (\$3.2M) in conjunction with a modest spring semester student fee increase. The SC General Assembly mandated additional appropriation reductions in the amount of \$1.37M in December 2008 and \$364,060 in March 2009. The University's administration responded to these reductions by imposing a nine day mandatory furlough plan that applied to all employees except student employees.
- Operating Revenues increased by \$4,816,734. This increase is primarily attributable to an increase of over \$4.5 million in academic, room and board fee revenue resulting from the fee increase approved by the University's Board of Trustees in June 2008, as well as a per student \$50 Partial State Appropriation Reduction Adjustment approved by the Board of Trustees in November 2008. The June 2008 tuition and fee increase was approved to support the Quality Initiative Plan passed by the Board of Trustees in February 2002, as well as offset the reduction to the University's annual appropriation level that took effect in July 2008. The November action approving the additional \$50 fee produced revenue to meet the final increment of the \$3.4M appropriation reduction ordered by the SC General Assembly in October. In addition to the increase in student fee revenue, Contract and Grant revenue increased by \$579,000 primarily as a result of additional federal Pell grant funds (\$457,000).
- Non-operating Revenues and Expenses decreased by just over \$7 million. The reduction in state appropriations previously mentioned accounted for \$5.8 million of this decline. In addition, Gifts revenue declined by nearly \$1.4 million in 2009 as a result of a one-time private gift received in 2008.
- Other Revenues decreased by \$6.2 million as a result of the recognition of the Capital Appropriations received from the State of South Carolina General Assembly for the Tillman Hall renovation project in 2008. No similar capital appropriations were received in 2009.

### **Capital Asset and Debt Activity**

In June 2006, the State of South Carolina General Assembly appropriated \$6.7 million toward the project costs for renovations of Tillman Hall. Renovations began in 2007 and to date have included replacement of the original 1894 roof and refurbishment of the original 1894 windows. Work will begin in early Fall 2009 to replace the circa-1940s electrical and mechanical systems (HVAC) and convert the fourth and fifth floors to habitable space via improved fire egress. The final phase of the project will include partial renovation of office space on the 4<sup>th</sup> and 5<sup>th</sup> floors. Work is expected to be completed in 2010.

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University had originally agreed to repay the vendor over a period of ten years; however, in June 2009, the University amended this agreement to repay the vendor in annual installments over a period of four years.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution through the State of South Carolina's Master Lease Program at an interest rate of 3.665 percent. The proceeds are being used for the purchase of administrative computing hardware and software. The University began the administrative computing systems' conversion in 2008. The Finance system went live in July 2009, the Student and Financial Aid systems will go live in phases during 2010, and the Human Resource system is scheduled to go live in July 2011.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. A portion of these proceeds (\$5.5M) were used to construct Carroll Hall, a new auditorium to be used primarily by the College of Business as a learning center. Construction on Carroll Hall was completed in Summer 2009.

The remaining portion of the General Obligation Bonds Series 2008B proceeds (\$8.5M) was used toward the construction of the DiGiorgio Campus Center, the new student center adjacent to the Lois Rhame West Physical Education and Wellness Center. In June 2009, the University issued an additional \$13,850,000 in General Obligation Bonds Series 2009A, \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B and \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A to complete the construction of the DiGiorgio Center. The DiGiorgio Campus Center will consist of offices, a food court, a bookstore, a multi-purpose and conference area, student activities area and a covered patio as a connector to other campus facilities, providing access to the entire campus community. The DiGiorgio Center is scheduled for completion during Summer 2010.

### **Economic Outlook**

The 2009 state funding reductions did carry forward to the 2010 state appropriation allocation; however, the SC General Assembly allocated just over \$3 million to Winthrop from the federal State Fiscal Stabilization Funds. While this \$3 million did not restore all of the \$5.8 million lost in state appropriations in 2009, it allowed the University to start the new 2009-2010 academic year without employee furlough days and helped keep the student academic fee increase approved by the Board of Trustees in June 2009 to a modest 4%. Subsequent to the start of 2010, on September 3, the University received a reduction in its 2010 appropriation allocation of just under \$721,000. Management had anticipated this action and had developed its fiscal year 2009-2010 spending plan accordingly. The University's management continues to monitor factors and adjust budget projections to ensure the University's overall financial position remains sound.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Assets

June 30, 2009

**ASSETS**

## CURRENT ASSETS

|                             |                   |
|-----------------------------|-------------------|
| Cash and Cash Equivalents   | \$ 20,605,541     |
| Accounts Receivable, Net    | 6,687,057         |
| Inventories                 | 386,788           |
| Accrued Interest Receivable | 188,587           |
| Prepayments                 | 661,425           |
| Total Current Assets        | <u>28,529,398</u> |

## NONCURRENT ASSETS

|                               |                           |
|-------------------------------|---------------------------|
| Cash and Cash Equivalents     |                           |
| Restricted                    | 19,088,842                |
| Endowment                     | 965,666                   |
| Perkins Loans Receivable, Net | 2,535,536                 |
| Capital Assets, Net           | <u>128,261,426</u>        |
| Total Noncurrent Assets       | <u>150,851,470</u>        |
| Total Assets                  | <u><u>179,380,868</u></u> |

**LIABILITIES**

## CURRENT LIABILITIES

|  |                   |
|--|-------------------|
| Accounts Payable and Accrued Liabilities | 8,155,353         |
| Deferred Revenue                         | 1,480,507         |
| Current Portion of Long Term Debt        | 5,775,056         |
| Current Portion of Compensated Absences  | <u>1,667,733</u>  |
| Total Current Liabilities                | <u>17,078,649</u> |

## NONCURRENT LIABILITIES

|                                |                          |
|--------------------------------|--------------------------|
| Compensated Absences           | 1,488,001                |
| Perkins Loan Federal Liability | 2,390,634                |
| Bond Premium on Long Term Debt | 434,992                  |
| Long Term Debt                 | <u>74,151,500</u>        |
| Total Noncurrent Liabilities   | <u>78,465,127</u>        |
| Total Liabilities              | <u><u>95,543,776</u></u> |

**NET ASSETS**

|   |                             |
|---|-----------------------------|
| Invested in Capital Assets, Net of Related Debt | 60,083,348                  |
| Restricted For:                                 |                             |
| Nonexpendable:                                  |                             |
| Scholarships and Fellowships                    | 492,352                     |
| Expendable:                                     |                             |
| Scholarships and Fellowships                    | 245,914                     |
| Grants  | 1,157,668                   |
| Loans   | 302,378                     |
| Debt Service                                    | 1,578,491                   |
| Unrestricted                                    | <u>19,976,941</u>           |
| Total Net Assets                                | <u><u>\$ 83,837,092</u></u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2009

**REVENUES**

**OPERATING REVENUES**

|   |                   |
|---|-------------------|
| Student Tuition and Fees (of which \$492,244 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,462,549 of Revenues are Pledged for General Obligation Bonds)<br>(Net of Scholarship Discounts and Allowances of \$22,203,942) | \$ 42,304,198     |
| Grants and Contracts  | 21,848,769        |
| Sales and Services of Educational Activities  | 2,284,717         |
| Sales and Services of Athletic Activities   | 1,260,973         |
| Sales and Services of Auxiliary Enterprise Activities (of which \$3,108,987 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)  | 12,694,704        |
| Other Fees  | 784,852           |
| Other Operating Revenues  | <u>253,473</u>    |
| Total Operating Revenues  | <u>81,431,686</u> |

**EXPENSES**

|                              |                     |
|------------------------------|---------------------|
| Personnel Costs              | 48,547,936          |
| Fringe Benefits              | 13,395,107          |
| Service and Supplies         | 26,438,842          |
| Utilities                    | 3,221,735           |
| Scholarships and Fellowships | 6,064,357           |
| Depreciation                 | <u>5,090,481</u>    |
| Total Operating Expenses     | <u>102,758,458</u>  |
| Operating Loss               | <u>(21,326,772)</u> |

**NONOPERATING REVENUES (EXPENSES)**

|   |                   |
|---|-------------------|
| State Appropriations                                  | 18,548,609        |
| Grants and Contracts                                  | 47,748            |
| Gifts   | 1,939,643         |
| Interest Income                                       | 1,927,634         |
| Interest Expense                                      | (2,195,027)       |
| Other Nonoperating Revenues                           | <u>660,000</u>    |
| Net Nonoperating Revenues                             | <u>20,928,607</u> |
| Loss Before Other Revenues, Expenses, Gains or Losses | (398,165)         |
| Capital Appropriations                                | <u>462,594</u>    |
| Increase in Net Assets                                | 64,429            |

**NET ASSETS**

|                                |                             |
|--------------------------------|-----------------------------|
| Net Assets - Beginning of Year | <u>83,772,663</u>           |
| Net Assets - End of Year       | <u><u>\$ 83,837,092</u></u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

**CASH RECEIVED FROM**

|  |               |
|--|---------------|
| Student Tuition and Fees (Net of Scholarship Discounts and Allowances) | \$ 42,533,865 |
| Grants and Contracts   | 21,768,628    |
| Sales and Services of Educational Activities                           | 2,255,926     |
| Sales and Services of Athletic Activities                              | 1,267,567     |
| Sales and Services of Auxiliary Enterprise Activities                  | 12,714,470    |
| Other Fees   | 784,851       |
| Collection of Loans  | 309,301       |
| Receipts of Funds Held for Others                                      | 3,090,700     |
| Inflows from Federal Direct Lending Loans to Students                  | 30,750,976    |
| Other Receipts   | 253,473       |

**CASH PAID FOR**

|  |                     |
|--|---------------------|
| Personnel Costs  | (48,270,371)        |
| Fringe Benefits  | (13,246,852)        |
| Service and Supplies                                   | (29,300,998)        |
| Utilities  | (3,221,734)         |
| Students   | (6,078,113)         |
| Loans to Students                                      | (156,082)           |
| Payments of Funds Held for Others                      | (3,536,645)         |
| Outflows from Federal Direct Lending Loans to Students | (30,651,802)        |
| Net Cash Used by Operating Activities                  | <u>(18,732,840)</u> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|  |                   |
|--|-------------------|
| State Appropriations                                 | 18,562,951        |
| Gifts and Grants                                     | 1,847,956         |
| Commissions  | 572,744           |
| Other Sources  | 300,439           |
| Proceeds from Debt                                   | -                 |
| Net Cash Provided by Noncapital Financing Activities | <u>21,284,090</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                    |
|---|--------------------|
| Proceeds from Capital Debt                                | 20,443,865         |
| Capital Appropriations                                    | 455,647            |
| Purchases of Capital Assets                               | (19,512,105)       |
| Principal Paid on Capital Debt and Lease                  | (4,832,246)        |
| Interest and Fees   | (2,081,181)        |
| Net Cash Used by Capital and Related Financing Activities | <u>(5,526,020)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                             |
|---|-----------------------------|
| Interest Income                               | 1,868,477                   |
| Net Cash Provided by Investing Activities     | <u>1,868,477</u>            |
| Net Change in Cash and Cash Equivalents       | (1,106,293)                 |
| Cash and Cash Equivalents - Beginning of Year | 41,766,342                  |
| Cash and Cash Equivalents - End of Year       | <u><u>\$ 40,660,049</u></u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2009

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

|   |                               |
|---|-------------------------------|
| Operating Loss                                      | \$ (21,326,772)               |
| Adjustments to Reconcile Operating Loss to Net Cash |                               |
| Provided (Used) by Operating Activities:            |                               |
| Depreciation Expense                                | 5,090,481                     |
| Change in Assets and Liabilities:                   |                               |
| Accounts Receivable, Net                            | (572,514)                     |
| Inventories   | 2,308                         |
| Prepayments   | (339,830)                     |
| Accounts Payable and Accrued Liabilities            | (2,366,031)                   |
| Accrued Salaries and Related Expenses               | 94,879                        |
| Deferred Revenue                                    | 353,697                       |
| Compensated Absences                                | 330,942                       |
|   | <hr/>                         |
| Net Cash Used by Operating Activities               | <u><u>\$ (18,732,840)</u></u> |

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

|   |                             |
|---|-----------------------------|
| Cash and Cash Equivalents Classified as Current               | \$ 20,605,541               |
| Cash and Cash Equivalents Classified as Noncurrent Restricted | 19,088,842                  |
| Cash and Cash Equivalents Classified as Noncurrent Endowment  | 965,666                     |
|   | <hr/>                       |
|   | <u><u>\$ 40,660,049</u></u> |

**Non-Cash Transactions:**

|   |                      |
|---|----------------------|
| Acquisition of capital assets through donations | \$ 39,189            |
| Disposal of capital assets                      | (38,351)             |
|   | <hr/>                |
|   | <u><u>\$ 838</u></u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**  
(With comparative information for December 31, 2007)

|  | Unrestricted<br>Fund | Restricted<br>Funds | Endowment<br>Funds | Split-<br>Interest<br>Agreements | Agency<br>Funds | December 31,<br>2008<br>Total<br>All Funds | December 31,<br>2007<br>Total<br>All Funds |
|--|----------------------|---------------------|--------------------|----------------------------------|-----------------|--|--|
| <b>Assets</b>                          |                      |                     |                    |                                  |                 |  |  |
| Assets:                                |                      |                     |                    |                                  |                 |  |  |
| Cash and Equivalents                   | \$ 116               | 320,758             | 1,234,344          | 1,810,223                        | 11,544          | \$ 3,376,985                               | \$ 1,789,674                               |
| Accrued Interest and Dividends         | -                    | 15,083              | 58,041             | 5,193                            | 543             | 78,860                                     | 126,655                                    |
| Contributions Receivable               | 17,073               | 215,825             | 944,997            | 913,063                          | -               | 2,090,958                                  | 1,509,952                                  |
| Pooled Investments, at Fair Value      | -                    | 4,053,473           | 15,598,613         | 145,045                          | 145,886         | 19,943,017                                 | 30,164,749                                 |
| Investments, at Fair Value             | -                    | -                   | -                  | 1,824,678                        | -               | 1,824,678                                  | 1,421,474                                  |
| Due (to) from Other Funds              | (548,337)            | 111,451             | 428,887            | 3,988                            | 4,011           | -  | -  |
| Beneficial Interest in Perpetual Trust | -                    | -                   | -                  | 347,487                          | -               | 347,487                                    | 471,633                                    |
| Cash Value of Life Insurance           | 76,921               | 16,618              | 84,158             | -                                | -               | 177,697                                    | 165,709                                    |
| Travel Advances                        | 9,551                | -                   | -                  | -                                | -               | 9,551                                      | -  |
| Office Furniture & Equipment, at Cost  |                      |                     |                    |                                  |                 |  |  |
| Net of Depreciation of \$92,780        | 41,094               | -                   | -                  | -                                | -               | 41,094                                     | 29,336                                     |
| Total Assets                           | <u>(403,582)</u>     | <u>4,733,208</u>    | <u>18,349,040</u>  | <u>5,049,677</u>                 | <u>161,984</u>  | <u>27,890,327</u>                          | <u>35,679,182</u>                          |
| <b>Liabilities and Net Assets</b>      |                      |                     |                    |                                  |                 |  |  |
| Liabilities:                           |                      |                     |                    |                                  |                 |  |  |
| Accounts Payable                       | 72,803               | 279,692             | -                  | -                                | -               | 352,495                                    | 382,039                                    |
| Actuarial Liability of Annuities       |                      |                     |                    |                                  |                 |  |  |
| Payable                                | -                    | -                   | -                  | 2,236,867                        | -               | 2,236,867                                  | 596,148                                    |
| Agency Funds                           | -                    | -                   | -                  | -                                | 161,984         | 161,984                                    | 214,251                                    |
| Total Liabilities                      | <u>72,803</u>        | <u>279,692</u>      | <u>-</u>           | <u>2,236,867</u>                 | <u>161,984</u>  | <u>2,751,346</u>                           | <u>1,192,438</u>                           |
| Net Assets:                            |                      |                     |                    |                                  |                 |  |  |
| Unrestricted                           | (476,385)            | -                   | -                  | -                                | -               | (476,385)                                  | 455,497                                    |
| Temporarily Restricted                 | -                    | 4,453,516           | -                  | -                                | -               | 4,453,516                                  | 8,643,069                                  |
| Permanently Restricted                 | -                    | -                   | 18,349,040         | 2,812,810                        | -               | 21,161,850                                 | 25,388,178                                 |
| Total Net Assets                       | <u>(476,385)</u>     | <u>4,453,516</u>    | <u>18,349,040</u>  | <u>2,812,810</u>                 | <u>-</u>        | <u>25,138,981</u>                          | <u>34,486,744</u>                          |
|  | <u>\$ (403,582)</u>  | <u>4,733,208</u>    | <u>18,349,040</u>  | <u>5,049,677</u>                 | <u>161,984</u>  | <u>\$ 27,890,327</u>                       | <u>\$ 35,679,182</u>                       |

The accompanying notes are an integral part of the financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With comparative information for the year ended December 31, 2007)

|   | Temporarily<br>Restricted Net Assets |                     |                    |                    | Permanently<br>Restricted Net Assets |                                  |                    | Year<br>Ended<br>December 31,<br>2008<br>Total<br>All Funds | Year<br>Ended<br>December 31,<br>2007<br>Total<br>All Funds |
|---|--------------------------------------|---------------------|--------------------|--------------------|--------------------------------------|----------------------------------|--------------------|---|---|
|   | Unrestricted<br>Net Assets           | Restricted<br>Funds | Endowment<br>Funds | Total              | Endowment<br>Funds                   | Split-<br>Interest<br>Agreements | Total              |   |   |
| Revenues, Gains and Other Support:                                |                                      |                     |                    |                    |                                      |                                  |                    |   |   |
| Contributions   | \$ 486,551                           | 1,906,704           | -                  | 1,906,704          | 1,628,341                            | 878,767                          | 2,507,108          | \$ 4,900,363  | \$ 3,387,849  |
| Investment Earnings (Losses)                                      | 889,771                              | (941,773)           | -                  | (941,773)          | (8,510,802)                          | (124,147)                        | (8,634,949)        | (8,686,951)   | 2,429,346   |
| Increase (Decrease) in Cash Surrender Value                       | 13,222                               | 649                 | -                  | 649                | (1,718)                              | -                                | (1,718)            | 12,153  | (4,755)   |
| Provision for Uncollectible Pledges                               | (70,529)                             | (49,259)            | -                  | (49,259)           | -                                    | -                                | -                  | (119,788)   | 2,464   |
| Change in Value of Split-Interest Trusts                          | -                                    | -                   | -                  | -                  | -                                    | (706,010)                        | (706,010)          | (706,010)   | 145,031   |
|   | <u>1,319,015</u>                     | <u>916,321</u>      | <u>-</u>           | <u>916,321</u>     | <u>(6,884,179)</u>                   | <u>48,610</u>                    | <u>(6,835,569)</u> | <u>(4,600,233)</u>  | <u>5,959,935</u>  |
| Net Assets Released From Restriction -<br>Scholarships and Grants | <u>2,496,633</u>                     | <u>(2,496,633)</u>  | <u>-</u>           | <u>(2,496,633)</u> | <u>-</u>                             | <u>-</u>                         | <u>-</u>           | <u>-</u>  | <u>-</u>  |
| Expenses:   |                                      |                     |                    |                    |                                      |                                  |                    |   |   |
| Operating Expenses  | 481,414                              | -                   | -                  | -                  | -                                    | -                                | -                  | 481,414   | 482,011   |
| Fundraising Expenses  | 751,035                              | -                   | -                  | -                  | -                                    | -                                | -                  | 751,035   | 500,890   |
| Grants to Winthrop University                                     | <u>3,515,081</u>                     | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>                             | <u>-</u>                         | <u>-</u>           | <u>3,515,081</u>  | <u>4,198,793</u>  |
| Total Expenses  | <u>4,747,530</u>                     | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>                             | <u>-</u>                         | <u>-</u>           | <u>4,747,530</u>  | <u>5,181,694</u>  |
| Net Transfers   | <u>-</u>                             | <u>1,196,738</u>    | <u>(3,805,979)</u> | <u>(2,609,241)</u> | <u>2,609,241</u>                     | <u>-</u>                         | <u>2,609,241</u>   | <u>-</u>  | <u>-</u>  |
| Net Increase (Decrease) in Net Assets                             | (931,882)                            | (383,574)           | (3,805,979)        | (4,189,553)        | (4,274,938)                          | 48,610                           | (4,226,328)        | (9,347,763)   | 778,241   |
| Net Assets, Beginning of Period                                   | <u>455,497</u>                       | <u>4,837,090</u>    | <u>3,805,979</u>   | <u>8,643,069</u>   | <u>22,623,978</u>                    | <u>2,764,200</u>                 | <u>25,388,178</u>  | <u>34,486,744</u>   | <u>33,708,503</u>   |
| Net Assets, End of Period   | <u>\$ (476,385)</u>                  | <u>4,453,516</u>    | <u>-</u>           | <u>4,453,516</u>   | <u>18,349,040</u>                    | <u>2,812,810</u>                 | <u>21,161,850</u>  | <u>\$ 25,138,981</u>  | <u>\$ 34,486,744</u>  |

The accompanying notes are an integral part of the financial statements.



**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**

**Assets**

Current Assets:

Cash and Cash Equivalents

Unrestricted

\$ 127,756

Reserved

2,193,748

Total Cash

2,321,504

Accounts Receivable

69,416

Prepaid Expenses

3,750

Total Current Assets

2,394,670

Property and Equipment:

Property and Equipment, Net of Accumulated Depreciation

14,988,905

Other Assets:

Bond Closing Costs, Net of Amortization

383,116

Total Assets

\$ 17,766,691

**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable

\$ 606,294

Short-Term Borrowings

334,967

Deferred Revenue

5,300

Current Portion of Long-Term Debt

330,000

Total Current Liabilities

1,276,561

Long-Term Debt :

Bonds Payable

17,585,000

Notes Payable

4

Less Current Portion of Long Term Debt

(330,000)

Total Long-Term Debt

17,255,004

Total Liabilities

18,531,565

Net Assets

Unrestricted

(764,874)

Total Net Assets

(764,874)

Total Liabilities and Net Assets

\$ 17,766,691

The accompanying notes are an integral part of the financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

|  |                            |
|--|----------------------------|
| Operating Revenues and Other Support:            |                            |
| Room Charges and Occupancy Fees                  | \$ 2,022,281               |
| Cafeteria Fees and Vending Commissions           | 205,430                    |
| Rental Income from Winthrop University           | 49,650                     |
| Rental Income                                    | 8,984                      |
| Other Operating Revenues                         | <u>33,811</u>              |
| Total Operating Revenues and Other Support       | 2,320,156                  |
| Operating Expenses                               | <u>1,477,591</u>           |
| Net Operating Revenues and Support Over Expenses | <u>842,565</u>             |
| Nonoperating (Revenues) and Expenses             |                            |
| Interest Income                                  | (32,685)                   |
| Letter of Credit Fees                            | 229,442                    |
| Remarketing Fees                                 | 23,000                     |
| Interest Rate Swap Fees                          | 288,969                    |
| Trustee Fees                                     | 8,081                      |
| Amortization Expense                             | 16,303                     |
| Interest Expense                                 | <u>463,497</u>             |
| Net Nonoperating (Revenues) and Expenses         | <u>996,607</u>             |
| Net Increase (Decrease) in Net Assets            | (154,042)                  |
| Net Assets, December 31, 2007                    | <u>(610,832)</u>           |
| Net Assets, December 31, 2008                    | <u><u>\$ (764,874)</u></u> |

The accompanying notes are an integral part of the financial statements.

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Winthrop University is part of the primary government of the State of South Carolina. The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2008. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned organizations. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop, a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLCs' charge is to ensure the continued viability of the Courtyard through maximum occupancy percentages and fiscal responsibility, and to build revenue for future housing development.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been included in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2008. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 17) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 4).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$500 for which payment had been made prior to June 30, 2009 but for which the goods or services would not be received until after July 1, 2009.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**Deferred Charges:** Deferred charges are typically associated with the issuance of bonds. When material, these charges are amortized over the life of the bond. As of June 30, 2009, the University had no material deferred charges.

**Deferred Revenues:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of deferred revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Assets, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Assets.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Assets:** The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Assets.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 17.

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:

|  |                      |
|--|----------------------|
| Cash and Cash Equivalents - Current    | \$ 20,605,541        |
| Cash and Cash Equivalents - Restricted |                      |
| Debt Service                           | 1,950,512            |
| Capital Project                        | 16,724,594           |
| Student Loan                           | 72,853               |
| Grants and Contracts                   | 275,883              |
| Other                                  | 65,000               |
| Cash and Cash Equivalents - Endowment  | 965,666              |
| Total                                  | <u>\$ 40,660,049</u> |

DEPOSITS:

|                                  |                      |
|----------------------------------|----------------------|
| Cash on Hand                     | \$ 191,424           |
| Deposits Held by State Treasurer | 40,468,625           |
| Other Deposits                   | -                    |
| Total                            | <u>\$ 40,660,049</u> |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Cash on Hand

At June 30, 2009, Winthrop University had approximately \$49,275 in an account with a Financial Institution for exclusive use by the Perkins Loan Program.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2009, Winthrop University had \$40,468,625 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Concentrations of Credit Risk - Non Governmental Discretely Presented Component Units

***The Winthrop University Foundation***

The Foundation's concentration of potential credit risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies adopted by its Board of Directors. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$27,425 at December 31, 2008. These deposits were all in a high credit quality institution.

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$100,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount in excess of the federally insured limit at December 31, 2008 was \$2,140,008.

Reserved Cash And Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

The reserved cash represents monies on deposit within WUREF, LLC. These funds are provided by and/or are in connection with the issuance of bonds for the purposes of The Courtyard at Winthrop. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in connection with the bond issuance. The reserve accounts at December 31, 2008 are as follows:

|  |              |
|--|--------------|
| Debt service reserve fund                | \$ 1,335,333 |
| Operating contingency restricted reserve | 41,782       |
| Operating contingency reserve            | 172,771      |
| Bond reserve fund                        | 10,055       |
| Repair and replacement reserve fund      | 629,018      |
| Other miscellaneous reserve funds        | 4,789        |
|  | <hr/>        |
|  | \$ 2,193,748 |
|  | <hr/>        |



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Investments at December 31, 2008 are summarized as follows:

|                           | Cost                 | Market            |
|---------------------------|----------------------|-------------------|
| Government Bonds          | \$ 2,659,302         | 2,669,905         |
| REITS                     | 411,888              | 292,538           |
| Global High Yield Bonds   | 1,571,399            | 1,299,435         |
| Common Stocks             | 17,124,669           | 13,071,705        |
| Fixed Income Mutual Funds | 2,889,391            | 2,672,691         |
| Hedge Fund                | 1,800,000            | 1,761,421         |
|                           | <u>\$ 26,456,649</u> | <u>21,767,695</u> |

Investment earnings for the year ended December 31, 2008 consisted of:

|                               |                       |
|-------------------------------|-----------------------|
| Dividends and Interest        | \$ 1,177,455          |
| Realized Gains (Losses) Net   | (3,405,834)           |
| Unrealized Gains (Losses) Net | (6,458,572)           |
|                               | <u>\$ (8,686,951)</u> |

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2009, are summarized as follows:

|   |                     |
|---|---------------------|
| State Appropriations                                  | \$ 2,899,890        |
| Student Accounts                                      | 1,563,512           |
| Less Allowance for Doubtful Accounts                  | (111,478)           |
| Student Loans Receivable - Federal Perkins            | 2,535,536           |
| Less Allowance for Doubtful Accounts                  | -                   |
| Federal Grants and Contracts                          | 1,004,521           |
| State Grants and Contracts                            | 287,418             |
| Local Grants and Contracts                            | -                   |
| Foundations   | 709,625             |
| Capital Improvement Bond Funds                        | 9,275               |
| Other   | <u>324,294</u>      |
| Total Accounts Receivable, Net of Allowance           | 9,222,593           |
| Less: Noncurrent Perkins Loan Receivable (See Note 4) | <u>(2,535,536)</u>  |
| Accounts Receivable, Net - Current                    | <u>\$ 6,687,057</u> |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 3 - ACCOUNTS RECEIVABLE**, Continued

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2009-2010 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2009, the allowance for uncollectible student accounts is valued at \$111,478.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

Contributions Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2008:

Unconditional promises expected to be collected in:

|   |                            |
|---|----------------------------|
| Less than One Year                        | \$ 1,269,580               |
| One to Five Years                         | 477,582                    |
| Over Five Years                           | <u>726,253</u>             |
|   | 2,473,415                  |
| Less Unamortized Discount                 | <u>(95,194)</u>            |
|   | 2,378,221                  |
| Less Allowance for Uncollectible Promises | <u>(287,263)</u>           |
| Net Unconditional Promises to Give        | <u><u>\$ 2,090,958</u></u> |

Discount rates ranged from 2% to 5%.

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2009. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2009, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**, Continued

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,390,634, representing the Federal portion of the loan program at June 30, 2009. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 is summarized as follows:

|   | Beginning<br>Balance<br>July 1, 2008 | Increases   | Decreases | Ending<br>Balance<br>June 30, 2009 |
|---|--------------------------------------|-------------|-----------|------------------------------------|
| Capital Assets Not Being Depreciated:         |                                      |             |           |                                    |
| Land  | \$ 4,615,556                         | -           | -         | 4,615,556                          |
| Construction in Progress                      | 12,097,390                           | 18,213,392  | (416,310) | 29,894,472                         |
| Collections                                   | 198,631                              | -           | -         | 198,631                            |
| Total Capital Assets Not Being Depreciated    | 16,911,577                           | 18,213,392  | (416,310) | 34,708,659                         |
| Other Capital Assets:                         |                                      |             |           |                                    |
| Buildings and Improvements                    | 142,809,743                          | 119,138     | (109)     | 142,928,772                        |
| Machinery, Equipment and Other                | 9,171,805                            | 1,635,184   | (147,726) | 10,659,263                         |
| Vehicles                                      | 631,556                              | -           | (103,671) | 527,885                            |
| Total Other Capital Assets at Historical Cost | 152,613,104                          | 1,754,322   | (251,506) | 154,115,920                        |
| Less Accumulated Depreciation For:            |                                      |             |           |                                    |
| Buildings and Improvements                    | (50,296,209)                         | (4,205,317) | -         | (54,501,526)                       |
| Machinery, Equipment and Other                | (4,952,084)                          | (844,643)   | 112,825   | (5,683,902)                        |
| Vehicles                                      | (437,425)                            | (40,521)    | 100,221   | (377,725)                          |
| Total Accumulated Depreciation                | (55,685,718)                         | (5,090,481) | 213,046   | (60,563,153)                       |
| Capital Assets, Net                           | \$ 113,838,963                       | 14,877,233  | (454,770) | 128,261,426                        |

Invested in capital assets, net of related debt, of \$60,083,348 as of June 30, 2009 is determined as follows:

|   |                |
|---|----------------|
| Capital Assets, Net                                   | \$ 128,261,426 |
| Less Debt:  |                |
| Current Portion of Long Term Debt                     | (5,775,056)    |
| Long Term Debt  | (74,151,500)   |
| Bond Premium of Long Term Debt                        | (434,992)      |
| Plus Note Payable/Non Capital                         | -              |
| Plus Unspent Bond Proceeds                            | 12,183,470     |
| Total Invested in Capital Assets, Net of Related Debt | \$ 60,083,348  |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 5 - CAPITAL ASSETS**, Continued

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2008 are as follows:

|                               |                             |
|-------------------------------|-----------------------------|
| Land                          | \$ 699,548                  |
| Buildings                     | 16,130,519                  |
| Furniture and Fixtures        | 680,414                     |
| Machinery and Equipment       | <u>14,526</u>               |
|                               | 17,525,007                  |
| Less Accumulated Depreciation | <u>(2,536,102)</u>          |
|                               | <u><u>\$ 14,988,905</u></u> |

Depreciation charged to expense was \$424,655. This is a non-cash expense.

Property and equipment is recorded at cost when purchased and fair value when donated. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Depreciation is calculated based upon the straight-line method over the assets useful life of each asset. The estimated useful lives utilized are 50 years for buildings and improvements, 7 years for furniture and fixtures, and 3 years for computer equipment.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2009, are summarized as follows:

|   |                            |
|---|----------------------------|
| CURRENT                                 |                            |
| Accrued Payroll and Related Liabilities | \$ 5,025,031               |
| Trade Payables                          | 1,187,471                  |
| Accrued Interest Payable                | 560,519                    |
| Student Deposits and Prepayments        | 463,766                    |
| Construction Contract Retainage         | 862,136                    |
| Other Accrued Liabilities               | <u>56,430</u>              |
| Total Accounts Payable                  | <u><u>\$ 8,155,353</u></u> |

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2008, accounts payable consisted of \$519,593 in funds owed to Winthrop University in connection with amounts due to them for management of The Courtyard. Accounts payable also includes \$61,337 owed to a construction company (see note 12). In addition, accounts payable includes \$23,000 in funds owed to a financial institution for annual service fees related to the bond issue. The remaining vendor accounts payable is \$2,364.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**, Continued

Short-Term Borrowings - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On November 20, 2003, Winthrop Real Estate LLC obtained a commercial loan of \$95,123 for the purpose of purchasing land and a building on Stewart Street in Rock Hill, adjacent to the campus. The loan is structured as an interest only loan, which matured in March 2009. The loan bears interest at the bank variable prime rate, which as of December 31, 2008 was 3.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. Effective May 1, 2008, WRE LLC cancelled the lease agreement with Winthrop University and entered into a lease agreement with Founders Federal Credit Union for Founders use of the facilities. The lease is for a four-year term and has two options to extend the term of the lease. Each option shall be a four-year term. The total lease amount is \$13,476 per year and requires Founders to make monthly rent payments of \$1,123.

On April 19, 2005, Winthrop Real Estate LLC obtained a commercial loan of \$141,845 for the purpose of purchasing land on Culp and Ivey Streets in Rock Hill, adjacent to the Winthrop Farm property. The loan is structured as an interest only loan, which matured in March 2009. The loan bears interest at the bank variable prime rate, which as of December 31, 2008 was 3.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. As discussed later, effective May 1, 2005, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the property.

On January 16, 2008, Winthrop Real Estate LLC obtained a commercial loan \$97,999 to finance the purchase of land and a building on Park Avenue in Rock Hill, adjacent to the campus. The loan is structured as an interest only loan, which matured in March 2009. The loan bears interest at the bank variable prime rate, which as of December 31, 2008 was 3.25%. The loan is secured by a mortgage on the property, as well as a lease and rents assignment agreement. Again, as discussed later, effective January 16, 2008, WRE LLC entered into a lease agreement with Winthrop University for Winthrop's use of the property.

See Note 18 for details of subsequent refinancing of all above short-term borrowings.

**NOTE 7 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2009 is as follows:

|   | June 30,<br>2008     | Addition          | Reductions         | June 30,<br>2009  | Due Within<br>One Year |
|---|----------------------|-------------------|--------------------|-------------------|------------------------|
| Bonds, Notes and Capital Leases           |                      |                   |                    |                   |                        |
| General Obligation Bonds                  | \$ 46,215,000        | 13,850,000        | (2,070,000)        | 57,995,000        | 2,635,000              |
| Unamortized Premium                       | 266,294              | 199,019           | (30,321)           | 434,992           | -                      |
| Athletic Facilities                       | 1,560,000            | -                 | (120,000)          | 1,440,000         | 120,000                |
| Auxiliary Facilities                      | 119,378              | -                 | (78,507)           | 40,871            | 40,871                 |
| Higher Education Facilities               | 5,185,000            | 6,600,000         | (650,000)          | 11,135,000        | 1,040,000              |
| Notes Payable                             | 2,742,207            | -                 | (757,399)          | 1,984,808         | 740,920                |
| Master Lease Program                      |                      |                   |                    |                   |                        |
| Notes Payable                             | 8,487,217            | -                 | (1,156,340)        | 7,330,877         | 1,198,265              |
| Capital Lease Obligations<br>(See Note 8) | -                    | -                 | -                  | -                 | -                      |
| Total Bonds, Notes and<br>Capital Leases  | <u>64,575,096</u>    | <u>20,649,019</u> | <u>(4,862,567)</u> | <u>80,361,548</u> | <u>5,775,056</u>       |
| Other Liabilities                         |                      |                   |                    |                   |                        |
| Accrued Compensated Absences              | 2,824,793            | 1,998,674         | (1,667,733)        | 3,155,734         | 1,667,733              |
| Perkins Loan Federal Liability            | 2,389,907            | 727               | -                  | 2,390,634         | -                      |
| Total Other Liabilities                   | <u>5,214,700</u>     | <u>1,999,401</u>  | <u>(1,667,733)</u> | <u>5,546,368</u>  | <u>1,667,733</u>       |
| Total Long-Term Liabilities               | <u>\$ 69,789,796</u> | <u>22,648,420</u> | <u>(6,530,300)</u> | <u>85,907,916</u> | <u>7,442,789</u>       |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

**Bonds Payable**

Bonds payable consisted of the following at June 30, 2009:

|                                   | <u>Rates</u>   | <u>Dates</u> | <u>Balance</u>              |
|-----------------------------------|----------------|--------------|-----------------------------|
| General Obligation Bonds          |                |              |                             |
| Series 2001A2                     | 4.3% to 4.9%   | 10/01/20     | \$ 2,700,000                |
| Series 2001B5                     | 4.5% to 5.5%   | 10/01/21     | 930,000                     |
| Series 2003C                      | 3.5% to 4.75%  | 04/01/22     | 2,515,000                   |
| Series 2004A1                     | 3.0% to 5.0%   | 12/01/21     | 4,385,000                   |
| Series 2005B                      | 3.5% to 5.5%   | 04/01/25     | 14,430,000                  |
| Series 2006A                      | 4.12% to 5.75% | 04/01/26     | 5,795,000                   |
| Series 2008B                      | 3.25% to 5.0%  | 04/01/28     | 13,390,000                  |
| Series 2009A                      | 2.5% to 4.12%  | 06/30/29     | 13,850,000                  |
| Total General Obligation Bonds    |                |              | <u>57,995,000</u>           |
| Athletic Facilities               |                |              |                             |
| Revenue Bonds Series 2001A5       | 4.59%          | 10/01/20     | <u>1,440,000</u>            |
| Auxiliary Facilities              |                |              |                             |
| Revenue Bonds Series 1997         | 5.47%          | 11/01/09     | <u>40,871</u>               |
| Higher Education Facilities       |                |              |                             |
| Revenue Bonds Series 2002B5       | 4.58%          | 01/01/14     | 2,405,000                   |
| Revenue Bonds Series 2005A3       | 3.40%          | 04/01/17     | 2,130,000                   |
| Revenue Bonds Series 2009A        | 4.07%          | 04/01/24     | 4,500,000                   |
| Revenue Bonds Series 2009B        | 6.35%          | 04/01/24     | 2,100,000                   |
| Total Higher Education Facilities |                |              | <u>11,135,000</u>           |
| Total Bonds Payable               |                |              | <u><u>\$ 70,610,871</u></u> |

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year 2008 were \$6,333,829, which results in a legal annual debt service at June 30, 2009 of \$5,700,446.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

The scheduled maturities of the bonds payable by type are as follows:

|                           | Principal           | Interest         | Payments         |
|---------------------------|---------------------|------------------|------------------|
| General Obligation Bonds  |                     |                  |                  |
| 2001A2 2010               | 165,000             | 121,797          | 286,797          |
| 2011                      | 175,000             | 114,573          | 289,573          |
| 2012                      | 180,000             | 107,029          | 287,029          |
| 2013                      | 195,000             | 98,938           | 293,938          |
| 2014                      | 205,000             | 90,060           | 295,060          |
| 2015-2019                 | 1,200,000           | 292,639          | 1,492,639        |
| 2020-2024                 | 580,000             | 28,910           | 608,910          |
| 2025-2029                 | -                   | -                | -                |
| Total Series 2001A2 Bonds | <u>\$ 2,700,000</u> | <u>853,946</u>   | <u>3,553,946</u> |
| 2001B5 2010               | 55,000              | 44,576           | 99,576           |
| 2011                      | 55,000              | 42,032           | 97,032           |
| 2012                      | 60,000              | 39,335           | 99,335           |
| 2013                      | 60,000              | 36,485           | 96,485           |
| 2014                      | 65,000              | 33,516           | 98,516           |
| 2015-2019                 | 370,000             | 116,168          | 486,168          |
| 2020-2024                 | 265,000             | 20,874           | 285,874          |
| 2025-2029                 | -                   | -                | -                |
| Total Series 2001B5 Bonds | <u>\$ 930,000</u>   | <u>332,986</u>   | <u>1,262,986</u> |
| 2003C 2010                | 140,000             | 106,462          | 246,462          |
| 2011                      | 150,000             | 101,563          | 251,563          |
| 2012                      | 155,000             | 96,312           | 251,312          |
| 2013                      | 165,000             | 90,578           | 255,578          |
| 2014                      | 175,000             | 84,308           | 259,308          |
| 2015-2019                 | 1,000,000           | 306,637          | 1,306,637        |
| 2020-2024                 | 730,000             | 69,947           | 799,947          |
| 2025-2029                 | -                   | -                | -                |
| Total Series 2003C Bonds  | <u>\$ 2,515,000</u> | <u>855,807</u>   | <u>3,370,807</u> |
| 2004A1 2010               | 255,000             | 147,932          | 402,932          |
| 2011                      | 260,000             | 138,931          | 398,931          |
| 2012                      | 280,000             | 130,831          | 410,831          |
| 2013                      | 285,000             | 122,356          | 407,356          |
| 2014                      | 305,000             | 113,506          | 418,506          |
| 2015-2019                 | 1,745,000           | 401,222          | 2,146,222        |
| 2020-2024                 | 1,255,000           | 75,031           | 1,330,031        |
| 2025-2029                 | -                   | -                | -                |
| Total Series 2004A1 Bonds | <u>\$ 4,385,000</u> | <u>1,129,809</u> | <u>5,514,809</u> |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

|                                     |           | Principal     | Interest  | Payments   |
|-------------------------------------|-----------|---------------|-----------|------------|
| General Obligation Bonds, Continued |           |               |           |            |
| 2005B                               | 2010      | 665,000       | 576,505   | 1,241,505  |
|                                     | 2011      | 685,000       | 553,230   | 1,238,230  |
|                                     | 2012      | 710,000       | 529,255   | 1,239,255  |
|                                     | 2013      | 735,000       | 504,405   | 1,239,405  |
|                                     | 2014      | 765,000       | 478,680   | 1,243,680  |
|                                     | 2015-2019 | 4,310,000     | 1,896,644 | 6,206,644  |
|                                     | 2020-2024 | 5,340,000     | 943,716   | 6,283,716  |
|                                     | 2025-2029 | 1,220,000     | 51,240    | 1,271,240  |
| Total Series 2005B Bonds            |           | \$ 14,430,000 | 5,533,675 | 19,963,675 |
| 2006A                               | 2010      | 245,000       | 257,394   | 502,394    |
|                                     | 2011      | 255,000       | 246,369   | 501,369    |
|                                     | 2012      | 260,000       | 234,894   | 494,894    |
|                                     | 2013      | 270,000       | 221,894   | 491,894    |
|                                     | 2014      | 280,000       | 208,393   | 488,393    |
|                                     | 2015-2019 | 1,595,000     | 846,600   | 2,441,600  |
|                                     | 2020-2024 | 1,970,000     | 475,906   | 2,445,906  |
|                                     | 2025-2029 | 920,000       | 62,550    | 982,550    |
| Total Series 2006A Bonds            |           | \$ 5,795,000  | 2,554,000 | 8,349,000  |
| 2008B                               | 2010      | 495,000       | 535,837   | 1,030,837  |
|                                     | 2011      | 510,000       | 519,750   | 1,029,750  |
|                                     | 2012      | 525,000       | 503,175   | 1,028,175  |
|                                     | 2013      | 540,000       | 486,113   | 1,026,113  |
|                                     | 2014      | 560,000       | 468,563   | 1,028,563  |
|                                     | 2015-2019 | 3,120,000     | 2,006,362 | 5,126,362  |
|                                     | 2020-2024 | 3,845,000     | 1,293,462 | 5,138,462  |
|                                     | 2025-2029 | 3,795,000     | 418,200   | 4,213,200  |
| Total Series 2008B Bonds            |           | \$ 13,390,000 | 6,231,462 | 19,621,462 |
| 2009A                               | 2010      | 615,000       | 412,759   | 1,027,759  |
|                                     | 2011      | 540,000       | 476,861   | 1,016,861  |
|                                     | 2012      | 545,000       | 463,361   | 1,008,361  |
|                                     | 2013      | 555,000       | 449,736   | 1,004,736  |
|                                     | 2014      | 565,000       | 435,861   | 1,000,861  |
|                                     | 2015-2019 | 3,030,000     | 1,952,032 | 4,982,032  |
|                                     | 2020-2024 | 3,590,000     | 1,357,607 | 4,947,607  |
|                                     | 2025-2029 | 4,410,000     | 558,471   | 4,968,471  |
| Total Series 2009A Bonds            |           | \$ 13,850,000 | 6,106,688 | 19,956,688 |



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

|   |           | Principal           | Interest       | Payments         |
|---|-----------|---------------------|----------------|------------------|
| Athletic Facilities Revenue Bonds         |           |                     |                |                  |
| 2001A5                                    | 2010      | 120,000             | 66,096         | 186,096          |
|   | 2011      | 120,000             | 60,588         | 180,588          |
|   | 2012      | 120,000             | 55,080         | 175,080          |
|   | 2013      | 120,000             | 49,572         | 169,572          |
|   | 2014      | 120,000             | 44,064         | 164,064          |
|   | 2015-2019 | 600,000             | 137,700        | 737,700          |
|   | 2020-2024 | 240,000             | 16,524         | 256,524          |
| Total Series 2001A5 Bonds                 |           | <u>\$ 1,440,000</u> | <u>429,624</u> | <u>1,869,624</u> |
| Auxiliary Facilities Revenue Bonds        |           |                     |                |                  |
| 1997                                      | 2010      | 40,871              | 1,118          | 41,989           |
|   | 2011      | -                   | -              | -                |
|   | 2012      | -                   | -              | -                |
|   | 2013      | -                   | -              | -                |
|   | 2014      | -                   | -              | -                |
|   | 2015-2019 | -                   | -              | -                |
|   | 2020-2024 | -                   | -              | -                |
| Total Series 1997 Bonds                   |           | <u>\$ 40,871</u>    | <u>1,118</u>   | <u>41,989</u>    |
| Higher Education Facilities Revenue Bonds |           |                     |                |                  |
| 2002B5                                    | 2010      | 440,000             | 110,149        | 550,149          |
|   | 2011      | 460,000             | 89,997         | 549,997          |
|   | 2012      | 480,000             | 68,929         | 548,929          |
|   | 2013      | 500,000             | 46,945         | 546,945          |
|   | 2014      | 525,000             | 24,045         | 549,045          |
|   | 2015-2019 | -                   | -              | -                |
|   | 2020-2024 | -                   | -              | -                |
| Total Series 2002B5 Bonds                 |           | <u>\$ 2,405,000</u> | <u>340,065</u> | <u>2,745,065</u> |
| Higher Education Facilities Revenue Bonds |           |                     |                |                  |
| 2005A3                                    | 2010      | 235,000             | 72,420         | 307,420          |
|   | 2011      | 245,000             | 64,430         | 309,430          |
|   | 2012      | 250,000             | 56,100         | 306,100          |
|   | 2013      | 260,000             | 47,600         | 307,600          |
|   | 2014      | 270,000             | 38,760         | 308,760          |
|   | 2015-2019 | 870,000             | 59,840         | 929,840          |
|   | 2020-2024 | -                   | -              | -                |
| Total Series 2005A3 Bonds                 |           | <u>\$ 2,130,000</u> | <u>339,150</u> | <u>2,469,150</u> |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

|   |           | Principal           | Interest         | Payments         |
|---|-----------|---------------------|------------------|------------------|
| Higher Education Facilities Revenue Bonds |           |                     |                  |                  |
| 2009A                                     | 2010      | 255,000             | 150,590          | 405,590          |
|   | 2011      | 230,000             | 172,771          | 402,771          |
|   | 2012      | 240,000             | 163,411          | 403,411          |
|   | 2013      | 250,000             | 153,642          | 403,642          |
|   | 2014      | 260,000             | 143,468          | 403,468          |
|   | 2015-2019 | 1,470,000           | 549,857          | 2,019,857        |
|   | 2020-2024 | 1,795,000           | 225,071          | 2,020,071        |
| Total Series 2009A Bonds                  |           | <u>\$ 4,500,000</u> | <u>1,558,810</u> | <u>6,058,810</u> |
| Higher Education Facilities Revenue Bonds |           |                     |                  |                  |
| 2009B                                     | 2010      | 110,000             | 109,643          | 219,643          |
|   | 2011      | 95,000              | 126,365          | 221,365          |
|   | 2012      | 100,000             | 120,333          | 220,333          |
|   | 2013      | 105,000             | 113,983          | 218,983          |
|   | 2014      | 110,000             | 107,315          | 217,315          |
|   | 2015-2019 | 670,000             | 421,322          | 1,091,322        |
|   | 2020-2024 | 910,000             | 180,657          | 1,090,657        |
| Total Series 2009B Bonds                  |           | <u>\$ 2,100,000</u> | <u>1,179,618</u> | <u>3,279,618</u> |

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building. As of June 30, 2009, the University has unamortized premium of \$22,709 which is being amortized over the life of the bond.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center. As of June 30, 2009, the University has unamortized premium of \$56,368 which is being amortized over the life of the bond.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2009, the University has unamortized premium of \$35,415 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds are being used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2009, the University has unamortized premium of \$122,988 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$507,229, construction fund interest income of \$181,236 and capitalized interest cost of \$325,993 for this project as of June 30, 2009.

On June 5, 2009, Winthrop University issued \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A with an interest rate of 4.07 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2009, the University recorded interest expense of \$8,385, construction fund interest income of \$1,092 and capitalized interest cost of \$7,293 for this project as of June 30, 2009.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

On June 5, 2009, Winthrop University also issued \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2009, the University recorded interest expense of \$6,105, construction fund interest income of \$1,324 and capitalized interest cost of \$4,781 for this project as of June 30, 2009.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds are being used for the construction of a new campus center. As of June 30, 2009, the University has unamortized premium of \$197,512 which is being amortized over the life of the bond. In addition, the University recorded interest expense of \$8,120, construction fund interest income of \$1,873 and capitalized interest cost of \$6,247 for this project as of June 30, 2009.

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2008:

South Carolina Jobs - Economic Development Authority  
Variable Rate Demand Economic Development Revenue  
Bonds. Issued July 25, 2002 with a Variable Interest Rate  
Currently at 3.40%.

|                 |                      |
|-----------------|----------------------|
| Series 2002 - A | \$ 17,585,000        |
| Series 2002 - B | <u>-</u>             |
|                 | <u>\$ 17,585,000</u> |

On July 25, 2002, WUREF, LLC entered into an agreement to issue two series of bonds to be utilized for the construction of The Courtyard at Winthrop. The proceeds of the bond issuances paid for construction of the building, a bulk-purchase of furniture and fixtures for the facility, and for allocations to specified bond reserve accounts. These bond reserve accounts were used to provide for capitalized interest, to pay for bond issuance costs, to provide for the setup of a bond sinking fund, and other related reserves. The Series A issuance of \$18,875,000 has a 30 year life with a maturity date of July 1, 2033, while Series B of \$100,000 had a maturity date of July 1, 2004. The Series B issuance note was paid in July 2004.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

|            |                      |
|------------|----------------------|
| 2009       | \$ 330,000           |
| 2010       | 350,000              |
| 2011       | 370,000              |
| 2012       | 390,000              |
| 2013       | 415,000              |
| Thereafter | <u>15,730,000</u>    |
|            | <u>\$ 17,585,000</u> |

In addition, WUREF, LLC also entered into a \$16,400,000 interest rate swap agreement at the issuance of the bonds to manage exposure to fluctuations in interest rates. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.94%.

Certain bond issuance costs, including underwriter's fees and attorney fees have been classified as an other asset and are being amortized over the life of the bonds to its final scheduled maturity date. Amortization expense for the bond closing costs was \$16,303 for the period ended December 31, 2008.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2009:

|                               | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance</u>      |
|-------------------------------|--------------------------|--------------------------|---------------------|
| State of South Carolina       |                          |                          |                     |
| Note (Athletic Facilities)    |                          |                          |                     |
| Series 1981                   | 6.0%                     | 06/30/11                 | \$ 222,741          |
| Note (Energy Office) 4-204-04 | 1.0%                     | 12/01/12                 | 254,999             |
| Note (Energy Office) 4-205-04 | 1.0%                     | 12/01/12                 | 254,999             |
| Note (Energy Office) 4-202-06 | 3.25%                    | 06/01/12                 | 262,177             |
| Note Dated 8/28/05            | 0.0%                     | 09/30/09                 | -                   |
| Note Dated 5/10/07            | 1.284%                   | 05/15/18                 | 989,892             |
| Total Notes Payable           |                          |                          | <u>\$ 1,984,808</u> |

During fiscal year 1981, the University issued an athletic facilities note in the amount of \$2,620,000. The proceeds of the note were used to construct and equip an athletic coliseum (field house).

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

On December 1, 2004, Winthrop University borrowed \$970,162 from the State Energy Office with an average interest rate of 1.00 percent. An additional \$29,838 was borrowed in July 2005 bringing the total to \$1,000,000. The proceeds were used to renovate facilities to enhance Energy Performance.

On April 28, 2005, Winthrop University entered into an agreement to borrow \$100,000 from the University's food service vendor. The proceeds were used to renovate campus food service facilities. In June 2009, the University paid off this note.

On April 3, 2006, Winthrop University borrowed \$475,825 from the State Energy Office with an average interest rate of 3.25 percent. An additional \$24,175 was borrowed in July 2007 bringing the total to \$500,000. The proceeds were used to remove and replace an existing steam boiler.

On May 10, 2007, Winthrop University entered into an agreement with the University's food service vendor to renovate an existing dining hall and install food service equipment. The food service vendor expended \$1,499,941. The University had agreed to repay the vendor over a period of ten years; however, in June 2009, the University amended this agreement to repay the vendor in annual installments over a period of four years. If the contract with the food service vendor is discontinued prior to the maturity date of the note, then the University is responsible for paying the balance due in full.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 7 - LONG-TERM DEBT**, Continued

Notes Payable, Continued

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2009, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>     |
|----------------------------|---------------------|-----------------|------------------|
| 2010                       | \$ 740,920          | 57,874          | 798,794          |
| 2011                       | 765,359             | 33,435          | 798,794          |
| 2012                       | 349,111             | 9,778           | 358,889          |
| 2013                       | 129,418             | 1,301           | 130,719          |
| 2014                       | -                   | -               | -                |
| 2015-2019                  | -                   | -               | -                |
| Total Obligations          | <u>\$ 1,984,808</u> | <u>102,388</u>  | <u>2,087,196</u> |

**Master Lease Program Notes Payable**

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2009, the University had bank notes payable outstanding as follows:

|                          | <u>Interest<br/>Rates</u> | <u>Maturity<br/>Dates</u> | <u>Balance</u>      |
|--------------------------|---------------------------|---------------------------|---------------------|
| Note Dated June 16, 2004 | 3.56%                     | 06/16/11                  | 2,446,349           |
| Note Dated June 16, 2008 | 3.665%                    | 06/16/15                  | 4,884,528           |
| Total                    |                           |                           | <u>\$ 7,330,877</u> |

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there is a balloon payment due of \$1,990,711.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds are being used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2009 are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>     |
|----------------------------|---------------------|-----------------|------------------|
| 2010                       | \$ 1,198,265        | 266,145         | 1,464,410        |
| 2011                       | 2,760,555           | 222,700         | 2,983,255        |
| 2012                       | 798,059             | 123,586         | 921,645          |
| 2013                       | 827,308             | 94,337          | 921,645          |
| 2014                       | 857,629             | 64,016          | 921,645          |
| 2015-2019                  | 889,061             | 32,584          | 921,645          |
| Total Obligations          | <u>\$ 7,330,877</u> | <u>803,368</u>  | <u>8,134,245</u> |

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 8 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2009 were as follows:

| <u>Year Ended June 30</u>             | <u>Capital<br/>Leases/<br/>Equipment</u> | <u>Operating<br/>Leases/<br/>Equipment</u> |
|---------------------------------------|--|--|
| 2010                                  | \$ -                                     | 24,223                                     |
| 2011                                  | -  | 12,746                                     |
| 2012                                  | -  | 10,623                                     |
| 2013                                  | -  | 5,315                                      |
| 2014                                  | -  | 170  |
| Total Lease Payments                  | -  | 53,077                                     |
| Less: Interest                        | -  | -  |
| Total Present Value of Lease Payments | <u>\$ -</u>                              | <u>53,077</u>                              |

Capital Leases

As of June 30, 2009, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and ten vehicles. The University ended a lease of a building for office space in March, 2009. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$304,357 for fiscal year 2009. For the year ending June 30, the University's lease expense for the vehicles and building were \$39,870 and \$20,383, respectively.

**NOTE 9 - PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 9 - PENSION PLANS**, Continued

South Carolina Retirement System

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death and group-life insurance benefits to eligible employees and retirees.

Effective July 1, 2006, employees participating in the SCRS have been required to contribute 6.50 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.5 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2009, 2008 and 2007 were \$2,123,126, \$2,034,798, and \$1,791,022, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$34,466 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.5 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2009, 2008 and 2007 were \$62,738, \$54,645, and \$56,467, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$1,178 and accidental death insurance contributions of \$1,178 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.5 percent from the employer in fiscal year 2009.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 9 - PENSION PLANS**, Continued

Optional Retirement Program, Continued

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,760,500 (excluding the surcharge) from University as employer and \$1,238,447 from its employees as plan members.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

**NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$3,440,091 for the year ended June 30, 2009. The University paid \$1,574,052 applicable to the 3.5 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**, Continued

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

**NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.5% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$1,574,052 and \$1,409,135 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$12,145,362 at June 30, 2009 of which \$10,398,863 was attributable to capital projects and the remaining \$1,746,499 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2009.

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$58,827 of authorized research infrastructure bond proceeds available to draw at June 30, 2009.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility renovations and the purchase and installation of food service equipment in the new campus center. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years.

Contingencies and Litigation- Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. is one of six parties named in a South Carolina Department of Health and Environmental Control (SC DHEC) consent order which holds liable those persons who are responsible, either directly or indirectly, for the unpermitted disposal of construction debris. On April 10, 2008, SC DHEC approved a closure plan to resolve the issues identified in the consent order. WUREF, Inc. has entered into a contract with a construction company to resolve these issues. As of December 31, 2008, WUREF, Inc. has recorded \$101,298 of environmental abatement expenses and has recorded \$61,337 of accrued expense. WUREF, Inc. is seeking reimbursement from the environmental consulting company who advised on the disposition of the construction debris, from the company's related parties and insurance carriers for all costs incurred to comply with the consent order.

**NOTE 13 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2009 the University held \$492,352 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2009 was \$871,467. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Assets. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2009, the income available to be spent is \$194,462 of which \$114,830 is restricted to specific purposes.

**NOTE 15 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 16 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2009 are summarized as follows:

|                                    |                              |
|------------------------------------|------------------------------|
| Instruction                        | \$ 32,517,091                |
| Research                           | 1,641,530                    |
| Public Service                     | 3,351,374                    |
| Academic Support                   | 7,406,758                    |
| Student Services                   | 11,432,480                   |
| Institutional Support              | 8,187,507                    |
| Operation and Maintenance of Plant | 16,745,108                   |
| Scholarships & Fellowships         | 6,064,357                    |
| Auxiliary Enterprises              | 10,321,772                   |
| Depreciation                       | 5,090,481                    |
| Total Operating Expenses           | <u><u>\$ 102,758,458</u></u> |

**NOTE 17 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian for The Winthrop University Alumni Association. The receipts, earnings and expenditures related to the agency fund are not included in the Foundation’s statement of activities.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give due in the next year are recorded at their net realizable value. Pledges to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions, if any.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 17 - COMPONENT UNITS**, Continued

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation's activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,699,048 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2009. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2009 are \$49,174 due from the Foundation.

**Purpose of Restricted Net Assets**

All temporarily restricted net assets are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2008 were \$2,496,633 released by incurring expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

|  |                           |
|--|---------------------------|
| Winthrop University Scholarships and Grants  | \$ 17,881,445             |
| The Alumni Association of Winthrop University  | 220,466                   |
|  | <hr/> 18,101,911          |
| Endowments Requiring Income to be Added to<br>Original Gifts Until the Funds Values Reach<br>Specified Amounts                 | 162,971                   |
| Cash Surrender Value of Life Insurance Policies<br>That Will Provide Proceeds Upon the Deaths of<br>the Insured for Endowments | 84,158                    |
| Estimated Current Value of Trusts Which Upon<br>the Death of the Beneficiaries Will Provide<br>Endowments                      | 2,812,810                 |
|  | <hr/> <hr/> \$ 21,161,850 |

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2008 thru June 30, 2009, the fee for management services amounted to \$163,992. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2009 are \$660,450 due from WUREF, Inc.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2009

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent Events - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On March 27, 2009, Winthrop Real Estate LLC refinanced its' commercial loan on the property located on Stewart Street in Rock Hill, adjacent to the campus. The loan of \$80,123 bears an interest rate of 6.50% and is secured by a mortgage on the property, as well as a lease and rents assignment agreement. The loan, which matures on March 27, 2014, requires four annual payments of \$8,000 principal plus interest beginning March 27, 2010 and a final payment of the remaining unpaid balance on the maturity date.

On March 27, 2009, Winthrop Real Estate LLC refinanced its' commercial loan on the property located on Culp and Ivey Streets in Rock Hill, adjacent to the Winthrop Farm property. The loan of \$126,843 bears an interest rate of 6.50% and is secured by a mortgage on the property, as well as a lease and rents assignment agreement. The loan, which matures on March 27, 2014, requires four annual payments of \$12,700 principal plus interest beginning March 27, 2010 and a final payment of the remaining unpaid balance on the maturity date.

On March 27, 2009, Winthrop Real Estate LLC refinanced its' commercial loan on the property located on Park Avenue in Rock Hill, adjacent to the campus. The loan of \$83,000 bears an interest rate of 6.50% and is secured by a mortgage on the property, as well as a lease and rents assignment agreement. The loan, which matures on March 27, 2014, requires four annual payments of \$8,300 principal plus interest beginning March 27, 2010 and a final payment of the remaining unpaid balance on the maturity date.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2009

|                                      | Year Ended June 30,  |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | 2009                 | 2008                 |
| Charges for Services                 | \$ 81,178,213        | 76,327,218           |
| Operating Grants and Contributions   | 4,828,498            | 4,447,213            |
| Less Expenses                        | <u>(104,953,485)</u> | <u>(105,404,101)</u> |
| Net Program Revenue (Expense)        | <u>(18,946,774)</u>  | <u>(24,629,670)</u>  |
| TRANSFERS                            |                      |                      |
| State Appropriations                 | 18,548,609           | 25,619,899           |
| Capital Improvement Bond Transfer In | <u>462,594</u>       | <u>6,627,488</u>     |
| Total Transfers                      | <u>19,011,203</u>    | <u>32,247,387</u>    |
| Increase in Net Assets               | 64,429               | 7,617,717            |
| Net Assets - Beginning of Year       | <u>83,772,663</u>    | <u>76,154,946</u>    |
| Net Assets - End of Year             | <u>\$ 83,837,092</u> | <u>83,772,663</u>    |



**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2009

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2008-2009 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2009:

**Non-Capital Appropriations**

|   |    |            |
|---|----|------------|
| Non-Capital Appropriations per 2008-2009 Appropriations Act | \$ | 22,745,010 |
|---|----|------------|

**State Budget and Control Board Allocations:**

|   |    |             |
|---|----|-------------|
| State Budget and Control Board Approved                                     |    |             |
| Allocation for Pay Plan and Employer Contribution                           |    | 228,107     |
| Mid Year 14.8% Appropriation Reduction - October 2008                       |    | (3,400,021) |
| Mid Year 7% Appropriation Reduction - December 2008                         |    | (1,370,117) |
| Mid Year 2% Appropriation Reduction - March 2009                            |    | (364,060)   |
| From SC Education Lottery Fund - Technology Program                         |    | 700,526     |
| From Commission on Higher Education -<br>Academic Endowment Incentive Match |    | 23,506      |
| Revised Non-Capital Appropriations - Legal Basis                            |    | 18,562,951  |
| Accrued Funding for Net Payroll Adjustments                                 |    | (14,342)    |
| Total Non-Capital Appropriations Recorded                                   |    |             |
| As Current Year Revenue   | \$ | 18,548,609  |

**Capital Appropriations**

|   |    |   |
|---|----|---|
| Current Year's Appropriations                                 | \$ | - |
| Supplemental Appropriations (Act. #73.14)                     |    | - |
| Total Capital Appropriations Recorded as Current Year Revenue | \$ | - |

**Research Infrastructure Bond Proceeds**

|  |    |         |
|--|----|---------|
| Proceeds drawn during the current fiscal year                        | \$ | 455,647 |
| Plus: Expenses incurred but not drawn during the current fiscal year |    | 9,159   |
| Less: Proceeds drawn but not expended during the current fiscal year |    | (2,212) |
| Total Research Infrastructure Bond Proceeds Recorded                 |    |         |
| As Current Year Revenue  | \$ | 462,594 |

**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2009

| <b>FEDERAL GRANTOR</b>   | <b>CFDA<br/>NUMBER</b> | <b>GRANT OR<br/>CONTRACT<br/>NUMBER</b> | <b>Total<br/>Expenditures<br/>June 30, 2009</b> |
|--|------------------------|---|---|
| <b>Pass-Through Entity</b>   |                        |   |   |
| <b>Program Title</b>   |                        |   |   |
| <b>U.S. DEPARTMENT OF DEFENSE</b>  |                        |   |   |
| <b>Pass-Through the SC Research Authority</b>  |                        |   |   |
| <b>Department of Army, Army Research<br/>and Material Command</b>  |                        |   |   |
| Military Medical Research and Development  |                        |   |   |
| Troop Recruitment Improvement  | 12.420                 | 2008-37                                 | \$ 16,022                                       |
| <b>Total U.S. Department of Defense</b>  |                        |   | 16,022  |
| <b>U.S. DEPARTMENT OF INTERIOR</b>   |                        |   |   |
| <b>Pass-Through the Fish and Wildlife<br/>Service</b>  |                        |   |   |
| Tribal Landowner Incentive Program   |                        |   |   |
| Passed through the Catawba<br>Indian Nation  | 15.638                 |   | 5,220   |
| <b>Challenge Cost Share</b>  |                        |   |   |
| Piedmont Prairie Restoration   | 15.642                 | 06-CS-11081209-002                      | 400   |
| <b>Total U.S. Department of Interior</b>   |                        |   | 5,620   |
| <b>NATIONAL ENDOWMENT FOR THE ARTS</b>   |                        |   |   |
| <b>Promotion of the Arts</b>   |                        |   |   |
| Arts in Basic Curriculum Regional Outreach   | 45.024                 | 08-5100-8037                            | 1,137   |
| <b>Total National Endowment for the Arts</b>   |                        |   | 1,137   |
| <b>NATIONAL SCIENCE FOUNDATION</b>   |                        |   |   |
| <b>Pass-Through Wake Forest University</b>   |                        |   |   |
| Engineering Grants   |                        |   |   |
| ARI-SA, A Portable Tungsten-Coil Atomic<br>Emission Detector for Nuclear Forensics Yr 1                    | 47.041                 |   | 13,355  |
| ARI-SA, A Portable Tungsten-Coil Atomic<br>Emission Detector for Nuclear Forensics Yr 2                    | 47.041                 |   | 4,112   |
|  |                        |   | 17,467  |
| Mathematical and Physical Sciences   |                        |   |   |
| Probing Early Events in Amyloid-Beta Association<br>by Single-Pair Forster Resonance<br>Energy Transfer    | 47.049                 |   | 4,665   |
| Biological Sciences  |                        |   |   |
| Role of Protein Arginine Methylation   | 47.074                 | MCB-0542242                             | 31,214  |
| Education and Human Resources  |                        |   |   |
| Pass-Through the SC Research Authority<br>Design, Synthesis, and Evaluation of<br>Novel Sphingosine Kinase | 47.076                 | 2009-702                                | 35,000  |
| <b>Total National Science Foundation</b>   |                        |   | \$ 88,346                                       |

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2009

| <b>FEDERAL GRANTOR</b>  | <b>CFDA<br/>NUMBER</b> | <b>GRANT OR<br/>CONTRACT<br/>NUMBER</b> | <b>Total<br/>Expenditures<br/>June 30, 2009</b> |
|---|------------------------|---|---|
| <b>Pass-Through Entity</b>  |                        |   |   |
| <b>Program Title</b>  |                        |   |   |
| <b>SMALL BUSINESS ADMINISTRATION</b>  |                        |   |   |
| <b>Pass-Through the University of<br/>South Carolina</b>                    |                        |   |   |
| Small Business Development Center - 2008                                    | 59.037                 | 8-603001-Z-0043-28                      | \$ 555  |
| Small Business Development Center - 2009                                    | 59.037                 | 9-603001-Z-0043-29                      | 136,654   |
| <b>Total Small Business Administration</b>                                  |                        |   | <b>137,209</b>                                  |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                        |   |   |
| Office of Student Financial Assistance                                      |                        |   |   |
| SEOG - 2009   | 84.007                 |   | 265,925   |
| Federal Work-Study  | 84.033                 | P033A083816                             | 210,626   |
| Federal Perkins Loan  | 84.038                 | P038A063816                             | 63,760  |
| TRIO Student Support Services - year 3                                      | 84.042                 | P042A051274-07                          | 35,165  |
| TRIO Student Support Services - year 4                                      | 84.042                 | P042A051274-08                          | 187,659   |
| Pell Grants - 2007  | 84.063                 | P063P060379                             | 20  |
| Pell Grants - 2008  | 84.063                 | P063P070379                             | 14,947  |
| Pell Grants - 2009  | 84.063                 | P063P080379                             | 4,965,058                                       |
| BiLingual Education   | 84.195                 | T195N070124                             | 155,048   |
| Federal Direct Loan - 2008  | 84.268                 |   | 14,598  |
| Federal Direct Loan - 2009  | 84.268                 | P268K090379                             | 30,637,204                                      |
| Academic Competitiveness - 2009   | 84.375                 | P375A080379                             | 291,668   |
| National Science and Mathematics Access<br>to Retain Talent - 2009          | 84.376                 | P3765080379                             | 95,339  |
|   |                        |   | <b>36,937,017</b>                               |
| <b>Pass-Through the University<br/>of South Carolina</b>                    |                        |   |   |
| Teacher Quality Enhancement   |                        |   |   |
| Diverse Pathways in Teacher Preparation-2008                                | 84.336                 | 05-1060                                 | 28,680  |
| Diverse Pathways in Teacher Preparation-2009                                | 84.336                 |   | 62,477  |
|   |                        |   | <b>91,157</b>                                   |
| <b>Pass-Through the South Carolina<br/>Commission on Higher Education</b>   |                        |   |   |
| Improving Teacher Quality   |                        |   |   |
| Diverse Pathways in Teacher Preparation-Certify SC                          | 84.367                 |   | 4,398   |
|   |                        |   | <b>4,398</b>                                    |
| <b>Pass-Through the South Carolina<br/>Department of Education</b>          |                        |   |   |
| Special Education Grants to States  |                        |   |   |
| Project Create  | 84.027                 | 09 C0309-02                             | 134   |
| Mentoring Project for Special Education Teachers                            | 84.027                 | 09-CO-309-02                            | 105,568   |
|   |                        |   | <b>105,702</b>                                  |
| Office of Elementary and Secondary Education                                |                        |   |   |
| Personnel Development for General Educators<br>in Autism Spectrum Disorders | 84.305                 | 08C0309-02                              | 57,565  |
|   |                        |   | <b>\$ 57,565</b>                                |

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards, Continued  
June 30, 2009

| <b>FEDERAL GRANTOR</b>  | <b>CFDA<br/>NUMBER</b> | <b>GRANT OR<br/>CONTRACT<br/>NUMBER</b> | <b>Total<br/>Expenditures<br/>June 30, 2009</b> |
|---|------------------------|---|---|
| <b>Pass-Through Entity<br/>Program Title</b>  |                        |   |   |
| <b>Pass-Through the South Carolina<br/>Department of Education</b>                          |                        |   |   |
| Office of Elementary and Secondary Education  |                        |   |   |
| Math and Science Partnership  | 84.366                 | 09MS309-01                              | \$ 30,607                                       |
| Math and Science Partnership - Travel   | 84.366                 | 09MS309-02                              | 7,338   |
|   |                        |   | <u>37,945</u>                                   |
| Improving Teacher Quality State Grants<br>Personnel Development Collaboration               | 84.367                 |   | <u>9,256</u>                                    |
| Teacher Education Assistance for Colleges and<br>Higher Education<br>Federal Teacher Grants | 84.379                 | P379T090379                             | <u>262,912</u>                                  |
| Other Programs  |                        |   |   |
| National Writing Project  |                        |   |   |
| Winthrop Writing Project - 2009   | 84.928                 | 92-SC04-22                              | 51,132  |
| Winthrop Writing Project - 2010   | 84.928                 | 92-SC04-23                              | 932   |
|   |                        |   | <u>52,064</u>                                   |
| <b>Total U.S. Department of Education</b>   |                        |   | <u>37,558,016</u>                               |
| <b>NATIONAL ARCHIVES AND RECORDS<br/>ADMINISTRATION</b>                                     |                        |   |   |
| <b>Pass-Through the SC Department of<br/>Archives and History</b>                           |                        |   |   |
| National Historical Records and Publications  |                        |   |   |
| State Historical Records & Archives   |                        |   |   |
| Bureau - Shankman Papers  | 89.003                 |   | <u>1,453</u>                                    |
| <b>Total National Archives and Records Administration</b>                                   |                        |   | <u>1,453</u>                                    |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES<br/>NATIONAL INSTITUTE OF HEALTH</b>             |                        |   |   |
| <b>Pass-Through the University of<br/>South Carolina</b>                                    |                        |   |   |
| National Center for Research Resource   |                        |   |   |
| INBRE - Year 3  | 93.389                 | 2P20RR16461-07                          | 27,269  |
| INBRE - Year 4  | 93.389                 | 2P20RR16461-08                          | 397,333   |
| INBRE - Year 5  | 93.389                 | 2P20RR16461-09                          | 82,262  |
|   |                        |   | <u>506,864</u>                                  |
| Professional Development Consortium   | 93.608                 | 08-1562                                 | <u>69,825</u>                                   |
| Medical Assistance Program  |                        |   |   |
| Medical Research Support Program - 2008   | 93.778                 |   | 328   |
| Medical Research Support Program - 2009   | 93.778                 |   | 304,296   |
| Medical Research Support Program - 2010   | 93.778                 |   | 398   |
|   |                        |   | <u>305,022</u>                                  |
| <b>Total Department of Health and Human Services</b>  |                        |   | <u>881,711</u>                                  |
| <b>TOTAL FEDERAL AWARDS</b>   |                        |   | <u>\$ 38,689,514</u>                            |

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mark Sanford  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

Compliance

We have audited the compliance of Winthrop University (the University), a department of the State of South Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winthrop University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winthrop University's compliance with those requirements.

In our opinion the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winthrop University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley" followed by a stylized flourish and the initials "E. C. RA".

September 18, 2009

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

To the Honorable Mark Sanford  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited the financial statements of Winthrop University, a department of the State of South Carolina, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 18, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's report. The Winthrop University Foundation and Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winthrop University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Winthrop University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Winthrop University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Winthrop University's financial statements that is more than inconsequential will not be prevented or detected by the Winthrop University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Winthrop University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance And Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Office of the State Auditor, State of South Carolina, the University's Board of Trustees and management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley" followed by a stylized flourish and "E. C. Brantley".

September 18, 2009

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

|                      |                      |
|----------------------|----------------------|
| Federal Direct Loans | <u>\$ 30,651,802</u> |
|----------------------|----------------------|

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2009

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to Financial Awards.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2009

**Summary of Auditors' Results:**

GAGAS

An unqualified opinion was issued on Winthrop University's general purpose financial statements dated September 18, 2009.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statement were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Winthrop University dated September 18, 2009. No significant deficiencies in the internal control over major programs were found. Our audit disclosed no findings that are required to be reported under OMB Circular A-133.

The major programs at Winthrop University are the Student Financial Aid Cluster from the U.S. Department of Education. Type A or major programs are defined as those that expended \$300,000 or 3% of total Federal Awards expended at the University. Winthrop University's total federal awards expended for the year ended June 30, 2009 were between \$10 million and \$100 million.

Winthrop University is considered to be a low risk auditee by the criteria listed in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to Federal Awards.